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ABSTRACT

Although the private sector has the primary role for job generation in the U.S. market economy, local community leaders can play a significant part in creating a growth-stimulating economic environment. A comprehensive economic development strategy appropriate to a community's specific goals and conditions requires careful analysis of the structure of the local economy, its strengths and weaknesses, and development options. The fundamental data needed for such analysis include retail sales, employment, number of establishments, and sources of personal income. This information is available from federal and state agencies but the data sets suffer from some common problems, particularly from the standpoint of rural communities. These problems are: (1) infrequency of data collection; (2) reporting units--typically counties or metropolitan areas--that have little relevance to towns or rural communities; (3) data deletion out of concern for individual privacy; (4) bias toward information on the manufacturing, agriculture, construction, and mining sectors, and neglect of the service sector; and (5) lack of critical information, such as capital market data. This document also contains discussion of the need for a more reliable indicator of rural economic hardship than the unemployment rate, the problem of underemployment and other "hidden" unemployment in rural areas, confidentiality issues in data reporting, and research into location factors associated with high-growth industries. The author is a professor of agricultural economics at the University of Wisconsin, cooperative extension service, which has committed itself to an expaned educational program in community economic analysis. (SV)

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"Quality of Rural Economic Development Data"

Testimony to Joint Economic Committee of the United States Congress (99th Congress)

June 13, 1985 -- 'The Rural Labor Force'
(((Hearings before the Subcommittee on Agriculture & Transportation)))

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by Glen C. Pulver

STATEMENT OF GLEN C. PULVER, PROFESSOR, DEPARTMENT OF AGRICULTURAL ECONOMICS, UNIVERSITY OF WISCONSIN, MADISON

Mr. PULVER. Thank you very much, sir.

My field of speciality in the department of agricultural economics is in community economic development. A major portion of my time is spent in educational programs directly with industrial development representatives, business leaders, governmental officials, bankers, educators, and others concerned with economic development policy at the local level.

Community leaders thrcughout the United States have a growing interest in increasing income and employment in their city, village, or town. Although the private sector has the primary role for job generation in the U.S. market economy, local leaders, both private and public, can play a significant part in creating a growth stimulating economic environment. In order to establish a comprehensive community economic development strategy appropriate to their specific goals and conditions, they must carefully analyze the structure of their local economy, uncover its weaknesses and strengths, identify their development options and then act. This requires timely employment, income establishment, sales and capital market data specific to their community.

Three years ago, the University of Wisconsin Cooperative Extension Service committed itself to an expanded educational program in community economic analysis. This effort consists of a series of intensive educational meetings on a community-by-community basis. In these efforts community leaders, planners, and educators are heavily reliant upon secondary data sources as the base of information for their efforts. Although more current, detailed and individualized data gathered by primary means are more valuable in policymaking, matters of time and cost frequently prevent their acquisition and use.

Smaller communities face three fundamental problems when compared with their larger counterparts. First, there is little secondary data from which to draw; second, they seldom have the necessary data gathering structure in place or at their immediate disposal; and, third, the cost per unit of data gathered is relatively high. The first problem, the lack of quality secondary data, may in part be solvable. I wish to focus most of my discussion on this topic.

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There are a number of useful secondary data sets provided by the U.S. Government on employment, establishments, sales and income, and these data sets suffer some common problems.

One, infrequency. The most useful data set for studying local retail sales and market capture is the census of retail trade. Unfortunately, it is published only once every 5 years. The report for 1982 sales in Wisconsin became available in the fall of 1984. Many changes can occur over a 5- to 7-year period. Local leaders were obviously reluctant during most of the 1980–84 period to use 1977 sales data. At the same time, most State governments in the United States gather detailed information on retail sales often by community as a part of their State sales tax operations. Some cooperative agreement might be reached between State and national governments to make current sales information available throughout the United States.

Two, reporting units. Many national data sets are reported at the county level or for the standard metropolitan statistical area. These data are useful for community leaders in larger urban areas where a city may represent the near economic totality of the county or SMSA, but are of little or no practical value in local development considerations in more rural areas.

Although county governments have an important economic development role, most effective initiatives emanate from the city, village, or town. The county data are simply not specific enough to be useful at the community level. Absent secondary data, local leaders either make policy decisions without proper information or take the time and raise the funds to gather primary data. Even then they have little use for comparative data.

Many State job service offices gather detailed employment data at the municipal level for unemployment compensation or other purposes. Once again, this data is already gathered on a regular basis which with proper consideration could be made available at little or no additional cost. It is recognized that it would mean some modification to account for the lack of self-employment or proprietary reporting.

Third, data deletion. There is a deep concern for individual privacy in most existing secondary data sets. As a consequence, large portions of information are deleted from reports of sales and employment. In those cases where there is a limited number of establishments, little knowledge is gained from the reports. For example, employment numbers may be deleted from a large employer in a rural county if it is the only business of a specific kind. Retail sales are not reported in any sales category for communities with fewer than 2,500 people and are deleted in many retail sectors in communities with populations between 2,500 and 10,000. As a consequence, the policymakers and analysts are left with empty or partial data sets.

The examination of which data might be made available without damage to the market system and individual privacy would be useful. Researchers and Government employees are experienced in dealing with matters of confidentiality in many sensitive information areas. A great deal of very useful data could be made available with more appropriate nondisclosure provisions.

Fourth, goods producing bias. A great deal of public information is available regarding the manufacturing, agricultural, construction, and mining sectors of our economy. There has been little detailed analysis of the service producing sector, for example, trade, finance, insurance, health care, education, et cetera, although this sector has been the dominant source of employment growth in the United States for more than 60 years, not much public information of use in identifying appropriate local policy initiatives has been shared. Once again necessary employment, income and sales data are already being gathered, and a greater investment in analysis and publication would be useful. Larger cities have the staffs to do so, and smaller communities, once again, are at a disadvantage.

Fifth is the lack of reporting. Some critical pieces of information are gathered by the Government, but not reported in a useful form. Capital market data is a good example. Nearly all community economic developers are convinced that efficient capital markets are a prerequisite to income and employment growth.

Small businesses everywhere in the United States are heavily dependent on local financial institution support for both public and private development initiatives. Communities need a clear assessment of their local financial institution's efforts and public reports to the city, village, and town level, of general lending, deposit and asset information, secondary market participation, Government guarantee involvement, shared investments, financial counseling and other critical activities would be useful to local leaders in evaluating capital market efficiencies.

In summary, most of the necessary data for effective community economic analysis is currently gathered either by the State or national agencies, but is often not available, especially in rural areas. Problems of reporting frequency, large reporting units, data deletion, a goods producing bias and a lack of reporting in specific areas plague local leaders and analysts.

A major portion of the problems could be solved by joint utilization of data gathered regularly, by State and national agencies, more appropriate policy regarding public disclosure of confidential information, greater attention to the major job generating service producing sector and a commitment to reporting information of direct use to local leaders connected with the economic well-being of their community, State, and Nation. Thank you very much.

[The prepared statement of Mr. Pulver follows:]

PREPARED STATEMENT OF GLEN C. PULVER

I am Dr. Glen C. Pulver, Professor in the Department of Agricultural Economics of the University of Wisconsin-Madison. My field of specialty is Community Economic Development. A major portion of my time is spent in educational programs directly with industrial development representatives, business leaders, governmental officials, bankers, educators, and others concerned with economic development policy at the community level. I also do research on development policy with a special emphasis on employment potential of service-producing industry and capital adequacy in rural areas.

It is clear that in the United States, the primary responsibility for the generation of increased employment and income lies with the private sector. In recent years, the heaviest burden for job generation has fallen on smaller firms, either newly started or expanding. The service-producing sector has provided the lion's share of this employment growth. It is up to the public governments at the local, state and national levels to establish an economic climate which is conducive to that private growth and at the same time represents the people's interest in issues of equity and natural resource environment.

In recent years, community leaders throughout Wisconsin and most other states of the U.S. have expressed a deep concern regarding the loss of employment to other parts of the world, high unemployment rates, and declining relative incomes which strike hardest in specific geographic areas and with selected population groups. They are increasingly interested in doing those kinds of things which offer the best prospects for job and income improvement locally.

Their options are few but their actions critical. They can do those things which: (1) help existing businesses grow; (2) assist local entrepreneurs in getting started; (3) attract basic employers from other areas; (4) capture dollars which are already in the community and from tourists, and (5) acquire funding from broader units of government. The primary initiative for economic growth remains in the private sector, but the behavior of local, state, and national officials is critical to the success or failure of any community. Examples of specific community initiatives include sponsoring educational efforts on how to start a business, improving public and quasi-public infrastructure such as water systems or local telephone communications, organizing area tourism promotions, developing public-private financing partnerships for civic facilities or housing.

Actions by community leaders, both public and private, which offer the highest probability of increasing local employment and income usually involve some combination of the five options. In short, economic improvement requires

a comprehensive community economic development policy. The proper identification of those specific strategies most likely to prove successful in goal attainment requires careful community economic analysis. Just as in private firms, community leaders interested in nurturing development must be acutely aware of the economic environment which surrounds them, the elements of their income generating units, the relative productivity of specific sectors, the opportunities for exploitation, and the array of policy options available.

Three years ago, the University of Wisconsin Cooperative Extension Service committed itself to an expanded educational program in Community Economic Analysis. This effort consists of a series of four intensive educational meetings on a community-by-community basis. In each community a group of 15-20 local leaders--including representatives of Chambers of Commerce; industrial development corporations; businesses; bankers; city, village, or town government; education and other interested groups--are brought together by County Community Resource Development Extension Agents. Campus specialists like myself lead them through discussions of changing international, national, state and local industrial structure, detailed analysis of local economic productivity including comparisons with similar communities, an examination of specific development options, and a review of their community economic preparedness. At the last of the four meetings aid is given the local leaders in developing a set of action priorities and plans including action responsibility. The Community Resource Development Agent

continues to work with the community leaders for months after the meeting to help make the plan a reality.

A vital element in Community Economic Analysis is the availability of data specific to the city, village, or town being studied. Regional scientists and economists have created a series of useful analytical tools which perform many of the same roles in community policy guidance as those available to business managers. These include: (1) trade area capture, pull factor, and market share analysis which are useful in identifying a community's success in capturing its retail trade potential; (2) location quotients, population-employment ratios, and threshold analysis which aid in identifying the potential of specific industries; and (3) shift-share analysis which provides a measure of the relative productivity of existing businesses, to name a few. With financial help from the North Central Regional Center for Rural Development, the University of Wisconsin-Madison has developed a specific manual describing these tools and their use: Community Economic Analysis: A How to Manual. A supportive computer program covering most of these tools has been developed for use with microcomputers.

Careful community economic analysis can provide important insights to local leaders on which actions, both public and private, offer the best hope for positive change. For instance, retail trade analysis which indicates a relatively low market share captured in a specific commercial sector might direct limited public resources to consumer surveys, preliminary market feasibility analysis and/or contacts with appropriate outside firms for

expansion consideration. Likewise, relatively low employment in a specific industry when compared with similar economic environments might lead to the development of supportive infrastructure and more effective industrial targeting information programs.

Community leaders, planners, and educators are heavily reliant upon secondary data sources as the base of information for their efforts. Although more current, detailed, and individualized data gathered by primary means are more valuable in policy making, matters of time and cost frequently prevent their acquisition and use. Smaller communities face three fundamental problems when compared with their larger counterparts. First, there is little secondary data from which to draw. Second, they seldom have the necessary data gathering structure in place, or at their immediate disposal. Third, the cost per unit of data gathered is relatively high. The first problem, the lack of quality secondary data, may in part be solvable. I wish to focus the remainder of my discussion on this topic.

All of the meetings, analytical tools, and computer programs are of limited use without complete, accurate, and up-to-date information on which to base local decisions. That is where the "rub" comes. Data sets are generally quite available in highly urbanized situations, but nearly nonexistent in rural areas.

The fundamental data required for effective community economic analysis include a record for every city, village and town describing: (1) retail sales at least to the two-digit SIC level and preferably to the three-digit level;

(2) employment to the three-digit SIC level; (3) the number of establishments to the three-digit level; and (4) estimates of sources of personal income at least to the two-digit industrial level plus that from transfer payments and dividends, interest, and rent. It would be helpful if these data were on at least an every-other-year basis. A manager of a private business would never accept these time lags, but community policy makers are forced to use worse data or none at all.

There are a number of useful secondary data sets provided by the United States Government on employment, establishments, sales, and income. These include the Census of Retail Sales, County Business Patterns, Bureau of Economic Analysis personal income sources, and Bureau of Labor Statistics employment projections. Employment data which is community and industry specific is also gathered by State Job Service offices. These data sets suffer some common problems, particularly from the standpoint of rural communities. The problems listed below are not in any order of importance.

1. Infrequency. The most useful data set for studying local retail sales and market capture is the Census of Retail Trade. Unfortunately, it is published only once every five years. The report for 1982 sales in Wisconsin became available in the fall of 1984. Many changes can occur over a five- to seven-year period. Local leaders were obviously reluctant during most of the 1980-84 period to use 1977 sales data. At the same time, most State Governments in the United States gather detailed information on retail sales, often by community, as a part of their state sales tax operations. In Iowa,

this information is available on an annual basis and in great demand by both the public and private sector at the local level. Some cooperative agreement might be reached between state and national governments to make similar information available throughout the U.S.

2. Reporting Units. Many national data sets are reported at the county level or for the standard metropolitan statistical area (SMSA). These data are useful for community leaders in larger urban areas where a city may represent the near economic totality of the county or SMSA, but are of little or no practical value in local development considerations in more rural areas. Although county governments have an important economic development role, most effective initiatives emanate from the city, village, or town. County data are simply not specific enough to be useful at the community level. Absent secondary data, local leaders either make policy decisions without proper information or take the time and raise the funds to gather primary data. Even then they have little useful comparative data. Many State Job Service offices gather detailed employment data at the municipal level for unemployment compensation purposes. Once again, this is data already gathered on a regular basis which, with proper coordination, could be made available at little or no additional cost. It is recognized that it would need some modification to account for the lack of self-employment or proprietor reporting.

3. Data Deletion. There is a deep concern for individual privacy in most existing secondary data sets. As a consequence large portions of information

are deleted from reports of sales and employment. In those cases where there is a limited number of establishments little knowledge is gained from the reports. For example, employment numbers may be deleted from a large employer in a rural county if it is the only business of a specific kind. Retail sales are not reported in any sales category for communities with fewer than 2,500 people and are deleted in many retail sectors in communities with populations between 2,500 and 10,000. As a consequence, policy makers and analysts are left with empty or partial data sets. The careful examination of which data might be made available without damage to the market system and individual privacy would be useful. Researchers and government employees are experienced in dealing with matters of confidentiality in many sensitive information areas (i.e. tax reporting). A great deal of very useful data could be made available with more appropriate nondisclosure provisions.

4. Goods-Producing Bias. A great deal of public information is available regarding the manufacturing, agriculture, construction and mining sectors of our economy. There has been little detailed analysis of the service-producing sector (e.g. trade, finance, insurance, health care, education, communication, business services). Although this sector has been the dominant source of employment growth in the U.S. for more than 60 years, not much public information of use in identifying appropriate local policy initiatives has been shared. Once again, necessary employment, income, and sales data are already being gathered. Greater investment in analysis and publication would be useful. Larger cities have the staff to do so and are. Smaller communities are at a disadvantage.

5. Lack of Reporting. Some critical pieces of information are gathered by the government, but not reported in a useful form. Capital market data is a good example. Nearly all community economic developers are convinced that efficient capital markets are a prerequisite to income and employment growth. Small businesses everywhere in the U.S. are heavily dependent on local financial institution support of both public and private development initiatives. Communities need a clear assessment of their local financial institutions' efforts. Public reports at the city, village and/or town level of general lending, deposit, and asset information; secondary market participation; government guarantee involvement; shared investments; financial counseling; and other critical activities would be useful to local leaders in evaluating capital market efficiencies.

Summary

In summary, community leaders throughout the United States have a growing interest in increasing income and employment in their city, village, or town. Although the private sector has the primary role for job generation in the U.S. market economy, local leaders, both private and public, can play a significant part in creating a growth-stimulating economic environment. In order to establish a comprehensive community economic development strategy appropriate to their specific goals and conditions, they must carefully analyze the structure of their local economy, uncover its weaknesses and strengths, identify their development options, and then act. This requires timely employment, income, establishment, sales, and capital market data specific to their community.

Most of the necessary data is currently gathered either by state or national agencies but is often not available, especially in rural areas. Problems of reporting frequency, large reporting units, data deletion, a goods-producing bias, and a lack of reporting in specific areas plague the users (local leaders, analysts). A major portion of the problems could be solved by joint utilization of data gathered regularly by state and national agencies; more appropriate policy regarding public disclosure of confidential information; greater attention to the major job-generating service-producing sector; and a commitment to reporting information of direct use to local leaders concerned with economic well-being of their community, state and nation.

Senator ABDNOR. Thank you, Mr. Pulver.

I have to say that I think all three of you gentlemen have confirmed my major concerns that we are not always getting a very accurate picture of what is transpiring out in rural America. That is how we got the title "the forgotten economy" for rural America. Personally, I feel strongly that it has been forgotten.

I gather, Mr. Pulver, you feel that we are not utilizing the kind of information that could be made available.

Mr. Briggs, I was kind of curious and anxious to know what you think would be a right measurement if you think we are using the wrong measurement. If the unemployment rate is the wrong measurement for the rural labor force, what would you see as the right measurement to get the right information?

Mr. BRIGGS. Well, when Congress set up the Levitan Commission, one of its mandates was to look into the question of economic hardship and whether or not we should not have an economic index on economic hardship. The Commission, after rangling, issued a preliminary report in which it discussed an economic hardship index, but in its final report voted not to do so, and then explained the reasons as largely methodological problems. They said we are not yet at the state in which we can get the data available and we don't know what to do about some of the subjective features—the discouraged workers issue and things of this kind. They sort of backed off on it.

Chairman Levitan, of course, was the person who still voted for the hardship index and he urged that we should begin to collect that data.

About 3 years after the Levitan Commission's report, Robert Taggert published a whole book on economic hardship showing that it could be done, and he did it, but it was not broken down by rural areas. It was simply overall economic hardship, which is an index that includes estimates of the working poor, estimates of discour-

aged workers, of involuntary part-time unemployment and these types of things brought into one index.

See, the problem with unemployment rates is not just some of the things that are discussed here. The wife of the General Motors president who may make $3 million, if his wife can't find a job, she is counted as unemployed and therefore as matters now stand that is generally seen as a concern for hardship. On the other hand, you may have a person working in South Dakota for 40 hours a week and not be able to make, because he can't work 52 weeks a year, may not be able to get his family up above the poverty level. Yet, he is counted as employed and he is considered to be no problem, see.

So that what the economic hardship approach does is simply to say that we ought to relate unemployment to earnings and we ought to take into consideration some of these other phenomena as well as discouraged workers, involuntary part-time workers and these types of things.

The things that Congress at least asked the Commission to look into. The Commission's report discusses it in detail, but then ultimately it voted not to do it at this time. It then recommended that BLS publish a hardship report every year, which it now does, but the report doesn't say anything about rural areas. I mean it tells Congress that here is the economic hardship and what the situation is in the United States as a whole, but when you use labor market data for the whole, since the urban economy is bigger than the rural economy, there is a tendency for the urban findings to bias what the results are. The economic hardship doesn't look quite as bad as it is, I think, if you were to focus simply on a rural measure of economic hardship—if you were to break it down, for example, into urban and rural areas.

I would like to see that distinction made, and I think it could be done, but it is not being done now.

Senator ABDNOR. I don't think anyone would quarrel with what you said. As a matter of fact, many of the programs that have been designed here in Congress over the last number of years have certainly been biased toward the urban areas. I wouldn't even be able to put an estimate on how shortchanged rural America is.

Have you got any thoughts on that? I look at the UDAG grants and the like——

Mr. BRIGGS. Well the National Governors' Association, as I say, they have turned around a little bit now with the Job Training Partnership Act. They now have responsibility for a lot of things that are happening in urban areas, too. But during the 1970's, when they had responsibility for the CETA program—that is they had responsibility for what was called the balance of state, they were concerned with the administration of all the human resource programs in the rural areas, and the urban areas were their own prime sponsors and they got their money funded directly from Washington by unemployment rates largely, the National Governors' Association, which was then supposedly the voice of rural America, was unequivocal in its statements that the unemployment rate is the wrong indicator and they were being shortchanged. And I think that has been true across the board of all

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human resources programs that rely only on the unemployment rate to allocate money.

The Job Training Partnership Act, two-thirds of that funding is done on the basis of unemployment rates and one-third on the number of low-income persons in the population.

Unfortunately though under the Job Training Partnership Act there is no requirement that the money be spent where the problems are. It just comes to a State. At least under CETA it had to go to specific areas where the problems were, and now there is no guarantee, unless you have a strong rural voice on those State councils, that rural areas are going to get any type of service under this program, and, of course, the level of support under the Job Training Partnership Act is much lower than it was.

I think one of the examples of what may be a little bit of criticism of Congress on this point is that what the research has shown overwhelmingly is that the rural labor market is in desperate need for jobs. The focus of the Job Training Partnership Act did away with all the job creation programs and focused largely on training. Well, training presumes that there are jobs for people to hold, and there has got to be, I think, some emphasis in a lot of our social programs on job creation and job generation in the private and also the public sector.

Senator ABDNOR. Well, they haven't been doing bad. I read a report that showed 350,000 jobs a month are being created. We need to get these people trained for those kind of jobs. You can have jobs but you have got to have people qualified to hold them. It does work both ways.

Mr. Coltrane, you deal with the Economic Research Service. Do you find many shortcomings? You did say it was inadequate I think, our reporting service, did you not in your statement?

Mr. COLTRANE. Sir?

Senator ABDNOR. In your statement, you also agreed that there are really some shortcomings?

Mr. COLTRANE. Yes. I might just add to what Mr. Briggs has said about the shortcomings in some of the data definitions, particularly unemployment.

We did a study in ERS some time ago to determine just what impact self-employment had on the unemployment rate in metro versus nonmetro areas. Self-employment is of concern regarding unemployment rates because a lot of the self-employed workers are underemployed and this aspect of unemployment is not covered by the unemployment rate.

The incident of self-employed workers is about twice as great in nonmetro as in metro areas. Unemployment among self-employed workers usually occurs only after their self-employed business fails. But unreported underemployment occurs frequently with the self-employed.

Some of the self-employed workers have second wage and salary jobs which reduces the unemployment for those workers. However, the results of the study that we did showed that when the underemployment associated with self-employment is considered, the unemployment rate in nonmetro areas increased about 21 percent while it increased only about 10 percent in metro areas.

In addition, other differences in the economic structure and in the occupational distributions between rural and urban areas further contribute to this problem. For example, there is a substantial number of seasonal workers in nonmetro labor markets. These workers are employed in seasonal jobs in farm production, the marketing of agricultural products, the processing of food and fiber and recreation and tourist attractions, and many of these seasonal workers are underemployed throughout most of the year.

Seasonal employment is another source of hidden unemployment, and if one could adjust the unemployment rate for these factors, it would increase substantially.

Senator ABDNOR. You made a very, very good point, Mr. Coltrane.

I bet that Mr. Pulver has some thoughts on what underemployment does up in Wisconsin. It probably has more effect today and in the last few years than at any time since the depression. In South Dakota, underemployment is common not only out on the arms where the farmer looses money as he goes to work every day, but on our little main streets up and down the line. Both of these are results of the failing farm economy.

If you walk into some of these small communities, it looks like everybody is working. It is good they have jobs, but they have got to have some profits left over from whatever they are doing.

I don't think there is any kind of a measurement in labor statistics showing underemployment, is there?

Mr. PULVER. Not that I am aware of, but I think Wisconsin is pleasantly less struck by the farm crisis at this point than have been others of our neighboring States. It is getting quite harsh there as well, and it is clear that it does have its effect in the small towns in the State.

The point I would like to make is I think that whatever we do with regard to measures of the harshness of unemployment or underemployment in rural areas, it is important to recognize that whatever those data sets are, they need to be used at the national level, at the State level and hopefully at the local level.

At the present time not only are the data sets weak with regard to nonmetropolitan impact or rural impact at the national level, but when the numbers do exist, they are very often not even transmitted or broken out in a way that they become useful at the State and local level.

So it is one thing to generate a more precise measure of the difficulty in rural areas regarding employment and income, and another thing to translate that in a fashion which makes it useful at the State and local level.

Senator ABDNOR. Do you have any thoughts on how you do that?

Mr. PULVER. I tried to identify a number of things. There are two critical points that I would like to make. One is that although we talk about cooperation at the State and national level in terms of institutions collecting numbers, there is little evidence of that cooperation showing up in terms of higher quality numbers at the local level.

I think that greater use of the numbers we are already gathering at the State level for whatever purpose in terms of national meas-

ures and vice versa, that is data gathered at the national level which never finds its way to the local level, would be quite helpful.

The second thing is that I think that it is time for a complete reexamination of the issue of data deletion for nondisclosure purposes. I find it quite interesting that at the local level in the smallest town where absolutely everyone knows how many people are employed in every business we can get no information on secondary data which tells how many people are employed there.

On the other hand, in the larger cities where it would be very difficult to accumulate those numbers, they are possessed in a secondary data set, and it makes little sense to me. I recognize there are reasons of privacy and we want to look at these things, but I think a reexamination of data deletion and the essential judgment that we shouldn't deliver information to small communities, in rural communities needs some looking over.

Senator ABDNOR. I don't know how difficult that would be to get that changed. Would it take changes in legislation?

Mr. PULVER. That is why I said it needs to be examined. I would guess probably not. A lot of it is essentially institutional judgments which have been made regarding disclosure, and I think a reexamination of that would probably cause our bureaucracies to make slightly different judgments both at the State and National level regarding disclosure.

Senator ABDNOR. How difficult do you think it would be to do something like that, Mr. Coltrane?

Mr. COLTRANE. I am sorry?

Senator ABDNOR. How difficult do you think it would be to make a change like that in labor statistics reporting?

Mr. COLTRANE. Well, the reporting of labor statistics, or any statistics for small areas, is difficult under the present laws because of the confidentiality requirements. Data collecting agencies of the Federal Government can't report data where there is any chance that an individual or an individual business can be identified by the data that are reported.

Many rural areas are characterized by very sparsely settled populations. Some rural counties have only a few thousand residents.

Senator ABDNOR. What kind of information would we be getting that is so confidential? What kind of information do you think we need there?

Mr. PULVER. A good example is local communities are intensely interested in what is happening in terms of the sales within the framework of the businesses which are there. They are not interested in disclosing the sales that occur in the local grocery store per se, but they would like to have some sense of whether income is impacting on the community by declines in retail sales in some measurable kind of sense.

Those numbers, for example, are available in Iowa through the Iowa State sales tax system. The same information is gathered in Wisconsin, but we can't get it in that same form. Although the numbers are all collected, it is just a matter of reporting techniques. That is one example, another is what is happening in terms of total employment within the community.

Every time any specific community, let's say it is even 7,000 or 8,000 people or 10,000 people, which are not terribly small commu-

nities from the Wisconsin and South Dakota standpoint. Even in those communities data sets are unavailable. You can't know. And I am saying that the numbers are collected on a regular basis, but somehow that is going to disclose too much with regard to individual privacy.

A lot of it I am suggesting is simply not a matter of whether you are going to disclose data which interferes with privacy, but a matter of the cost of producing publications I guess.

Senator ABDNOR. It is difficult for me to understand what is so confidential about business activities. I can understand they wouldn't want to divulge trade secrets and similar things. I never thought of that as being a problem in trying to get information. You have opened up a whole new area of thought to me.

Well, do you really think it is possible to get to the problem of rural reporting? Do you think we can ever come up with a workable program?

Mr. BRIGGS. You may come up with a program, and I hope when you talk about program that you——

Senator ABDNOR. I don't mean a solution. I just want to get the facts so we know what is going on.

Mr. BRIGGS. But while part of that is gathering of the data, there is more to it than that. It is the commitment to a research agenda for rural America. That is, we need to focus very heavily on what is happening to the labor force and to the population of rural America as a separate entity, and of course you would want to look at how it relates to the urban area.

But during the 1970's again, the 1960's and 1970's, there was a very firm commitment in the Department of Labor to conduct research on human resource issues, and out of that came a lot of excellent work, much of which is cited in the footnotes of this paper, that were done in the Department of Labor due to its concern with the rural labor force as a basis for developing either policy or proposing an agenda for policy and to be able to understand the available numbers. I mean what do the numbers actually mean.

You have got to collect the numbers, but you have also got to have a research commitment, in my view, to go along with it. You need to be able to understand what those numbers say. That research commitment has been done away with in the Department of Labor here in the 1980's from very penny-wise and pound-foolish budget cuts.

I know you hear this all the time, but I can't help it. I would rub my sword here, too, because collecting numbers in and of itself is not going to get us very far. It is important, it is a first step and it is a vital part, but the numbers don't speak for themselves, and especially in rural America there are vast differences between the Southeastern United States, the Northwestern United States and the Southwestern United States in terms of the rural labor markets.

Simply aggregating all these together doesn't necessarily tell you what the best public policy for South Dakota, for New Mexico or for Georgia may be. That is, we have got to have some commitment to looking at the labor markets, understanding what is happening to these labor markets and what are the specific characteristics on a regional basis, an understanding of the particular geography of

the particular industry mixes, and these types of things needed to be able to help interpret what those numbers are.

So it has got to be more than simply a number collection. That is vital, but there has got to be something more to it, and I am afraid we have lost a lot in the last few years in terms of this research commitment. Without it there is not a great deal of basis for public policy development, in my view, that can be useful.

Senator ABDNOR. Thank you.

Mr. Coltrane, you were talking of underemployment. How could we obtain and make better use of that information? Do you think it could be done? It isn't used at all now as a factor, is it?

Mr. COLTRANE. It is not used very widely, sir. One way we might be able to report data that are more useable would be to report data for an aggregate of counties.

Mr. Briggs mentioned the diversity in rural labor markets between the various regions of the country. We need to be able to identify and analyze those differences.

One way to do that, and to get around the confidentiality issue, is to report data for more than one county. We could group nonmetro counties or rural counties that are similar in labor market structure together and report the data for that group of counties. That might require aggregating 10 counties or it might require aggregating 5. But in that way we would have data at a fairly low geographic area that would help us identify the issues and the problems, and analyze those problems for those particular areas.

Senator ABDNOR. The thing that concerns me with underemployment and unemployment is that underemployment is eventually going to lead unemployment. When that happens in the little rural communities, there is only one thing to do, and that is pack your bag and go toward the big cities and the metropolitan areas in search of work.

The overall lasting effect of this migration can be devastating to rural America. Many times you lose the best and most qualified people, and young people particularly. My State has probably more colleges and institutions of higher learning per capita than any State in the country. We have all kinds of small colleges, and we can't keep many of the young people in the rural areas.

The movement out of the rural areas really bothers me. I wonder what we are going to do to revitalize rural America and create some jobs out in those areas of the country. It worries me because I see my main streets falling apart, implement dealers going out of business and stores dropping in numbers.

When I was young my father owned one of four stores in a town of 400. Today, in that same town, there is one store remaining. In the next town that is bigger the same thing is happening. It was twice as big as our town, but today, only one store remains in operation. It is hard to create those jobs after they are lost. It is a problem that has visible implications.

Part of our overall theme of this rural study is to discover how we are going to revitalize rural America. What are we going to do? I know rural America is a lot bigger than the little towns that I have referred to in South Dakota. Even the towns with populations of 10 and 20 thousand are being devastated. They are having great trouble surviving.

We are trying to figure out some way to attack this whole problem. We have had some fine testimony and it is important that we assemble it into something usable. Certainly labor statistics, if they are accurate, could quickly point out the direction that rural America is heading.

Was Wisconsin able to offset the loss of the economy and agriculture in other ways in your towns and cities? Are you doing anything out there, Mr. Pulver, that I am not aware of?

Mr. PULVER. I am not sure whether you are aware of it or not, sir, but one of the things we have been doing a good bit of in the last 2 or 3 years is recognizing some of the kinds of problems that you have identified. It has been to begin working very specifically at the local level, the programs that I told you about in terms of community-by-community work. Essentially we get together chamber executives, local governmental officials, industrial people, and farmers to talk about what their options are in development.

Now just like in a single business a manager wants to have all the facts so he can make the proper kind of choice of what options offer the best alternatives, local community leaders have the same kind of need. That is why I was arguing very strongly for more information to allow them to make that choice.

In Wisconsin we have seen some very successful efforts in trying to bring back our small towns. Admittedly, we don't have the same kind of environment, for example, as western South Dakota where you have very broad agricultural areas. We have interspersed with that manufacturing areas, et cetera. But we are seeing very specific pockets in terms of types of people and in specific areas where unemployment rates run very high, and we are having the kind of migration influences that you identify.

The difficulty always is that we have to make those judgments based upon talking with people and not on the basis of any selected set of numbers. I realize the importance of joining together counties to serve as a data base, but when you get right down to the local level again, you data sets will be empty. And without that kind of base in which local leaders can work in their judgments, I think we are all going to have continued trouble.

Senator ABDNOR. I have to agree with you. When you see our bright and young people leave, you wonder what can be done.

Today, the telecommunications revolution is bringing remote areas into direct contact with the world. I think we would all agree with that. What role does new technology and new emerging information industries play in creating job opportunities in rural America?

Mr. PULVER. Well, that is an area where I spend a lot of my research time and a lot of interest time. What we are trying to do is get a clear handle on where those industries do locate and what kind of employment they require. The best handle we have at this point is that they are not, as we might have classically expected, big population concentration oriented necessarily, and we are finding that industries of that kind can live or be driven off of high-technology communications are locating in rural areas.

For example, in our State the two largest computer service bureaus are located in very small towns from a national perspective, one of about 6,000 and the other about 8,000 or 10,000. The tele-

communications agenda allows us the opportunity to locate almost anywhere in terms of wide ranges of business types, and we are trying to get a good handle on which ones of those high growth industries, future high growth industries can and will locate in rural areas to be able to provide some guidance to local leaders.

Senator ABDNOR. Who are you working with on that?

Mr. PULVER. At this point we have some financial support in that process from the ERS, the Economic Development Division as well as other USDA support to look at the location factors associated with the 40 high growth industries in the United States, most of which are nonmanufacturing.

What we have done is essentially taken a national sample of counties with a range of rural, intermediate, and metropolitan areas to see what are the location patterns and then trying to do some factoring out as to identify what kinds of things are associated with location.

Senator ABDNOR. So you are looking over industries that offer some opportunities for rural America.

Mr. PULVER. Yes; we are essentially looking at the 40 industries which are projected by the Bureau of Labor Statistics to have about two-thirds of the growth between 1980 to 1995 in employment, and they are things like eating and drinking establishments, business services, health care facilities, et cetera, and we are trying to see whether there are any barriers to their location and development in rural areas. If there are none, or if there are barriers which can be overcome, then we are going to suggest that National, State, and local policymakers do those kinds of things to provide an environment where the private sector might choose to locate in more rural areas.

Senator ABDNOR. Is anything like that going on, Mr. Briggs, in the rural areas of New York?

Mr. BRIGGS. I am not the best spokesman to speak on that subject about upstate New York, but certainly living in Ithaca with Cornell University, which is upstate New York and now the home of a large supercomputer contract, one of the four universities that is getting it, and they expect to have a great deal of fallout in job creation with the supercomputer and a particle synchrotron, or whatever they are building there and a new institute of biotechnology that the State has placed at Cornell, a massive multimillion-dollar undertaking. Biotechnology offers the possibility on both the plus and minus side for doing a lot of things for agricultural America and for rural America. But that is a special case.

Upstate New York, and I am relatively new to upstate New York, but I see that many of the problems of upstate New York are in many ways like small America, that is unlike the Southwest where I used to live and the Southeast where I have done a lot of my research work, and I think it is quite different.

That is why I think the geographic breakdown is so important for rural America. Many of the communities in upstate New York are in terrible shape, but they are in terrible shape because factories are closing. In other words, there are sort of mini urban problems in Massachusetts, New York, and what-have-you, but that is not a problem with the Southwest and it is not a big problem in the Southeast, but it is a very big problem in rural America in the

Northeast, that is it is factories that were once useful are no longer useful.

That is a different type of labor market situation, and that is why I think it requires a different type of analysis of the data. Rather than simply looking at the rural data as an aggregate, to begin with we have got to do some research around behind the numbers to indicate exactly what are some of the particular characteristics of the regional rural labor markets, and then to able to talk about policy development along those lines.

There is a lot that can be said about public policy, and that is I think there has got to be some national commitment to this. I mean the Economic Development Administration, which has done in the past a great deal of work in rural America, is being again decimated by budget cuts and even its existence is in question.

A lot of rural America is in desperate need of infrastructure help, bridges, sewers, and these kinds of things that are not very popular to talk about and are very hard to finance.

Senator ABDNOR. That is true, but let me tell you something. Within the last few months the interest rates have dropped which has given hope to my farmers. The solution is a double-edged sword. If I want to make it possible for my farmers to do better, I think the best thing I could do is help open markets overseas and get the dollar down so they can compete.

If I could do something in an agricultural program and help them get their interest rates cut by 3 or 4 percent, that would put them back in business. Then they could buy cars and machinery again and put other businesses back to work.

If I could get the dollar so it was somewhat comparable to the other countries' currency values we could compete with any country in the world with our products. The problem starts when you are dealing with someone in dollars. They can buy 3 bushels of grain from our competitors for every bushel they can buy from America. We have a double-edged sword and, you bet, things are deteriorating.

That is why we are trying to come up with some happy medium to get rural America moving again. But, from looking over dissertations by fine agriculture economists and farm organizations, I again realize it is a very complex problem to solve. Congress is talking about putting together a farm package that could be very good news for agriculture, which is a lot of rural America. We could do many things if we had adequate funding.

As for beefing up some of the farm programs, we have spent more money over the last 4 years on some projects than we ever have before. But the tax laws and the monetary system have a big effect on these projects.

The whole idea of this study is to discover some answers to some problems. I want you to know how much we appreciate your imput into today's topic. Our time is almost up for today. I would like to bring this meeting to a close this morning.

I thank you all, very, very much for making the effort to come down here and testify. We may be asking you by letter for additional information and maybe we can have you back another time.

I think you will agree with me that this is an important topic and that we have got a long way to go. It is even hard to make

Members of this Congress aware of the problems. They all have their self-interests and their congressional districts as their main concern. Some can't understand that everything is integrated. If we can get our thoughts and information together, we might make some headway.

After hearing these gentlemen and Ms. Norwood speak today, I personally feel that we need to do a much better job of gathering and reporting our statistics. Hopefully, you can help us put together some good suggestions so we can initiate some kind of action.

I will bet Mr. Coltrane with the Department of Agriculture must have a lot of thoughts on proposals.

We are happy to have you here today and hopefully, with your help, we can start coming up with some solutions.

I think that the whole United States will benefit from a rural revitalization if we can ever get one going. Not only does the rural labor force have untold productive potential, it is also a catalyst for greater economic activity throughout America.

Referring to South Dakota again, I have talked with many industries that have come to my State and they are very, very pleased with the kind of labor force they find there and the work that is carried out. They are not only hard workers, but they are talented workers. They just need to be put to work.

It is my sincere hope that today's hearing has made a contribution toward tapping that potential. We thank you all for coming.

On June 19, at our next hearing, we are going to look at a major source of the problems in rural America—rural finance. Finance has been a big problem within the rural areas. Rural America is being cheated and it has got to come to a stop. We are just going to keep plugging away and hopefully come up with some answers.

We thank you very much and the subcommittee is adjourned.

[Whereupon, at 11:30 a.m., the subcommittee adjourned, subject to the call of the Chair.]